

Message Text

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ACTION COME-00

INFO OCT-01 EUR-12 ISO-00 EB-07 TRSE-00 L-03 ERDA-05
AID-05 CEA-01 CIAE-00 EPG-02 DODE-00 FEAE-00
FPC-01 H-01 INR-07 INT-05 NSAE-00 NSC-05 OMB-01
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P 311507Z MAY 77
FM AMEMBASSY BUCHAREST
TO SECSTATE WASHDC PRIORITY 3529

C O N F I D E N T I A L BUCHAREST 3958

E.O. 11652: GDS
TAGS: EEWT, RO
SUBJECT: ISLAND CREEK/ROMANIAN COAL CONTRACT

REF: STATE 115345

1. SUMMARY. ARMAND HAMMER CAPPED THREE DAY VISIT TO ROMANIA, INCLUDING DISCUSSION WITH PRESIDENT CEAUSESCU, WITH MAY 28 SIGNING OF PROTOCOL RELATING TO PROPOSED LONG-TERM SALES CONTRACT FOR METALLURGICAL-GRADE VIRGINIA COAL. FORMER SENATOR GORE, PRESIDENT OF ISLAND CREEK, REMAINS IN BUCHAREST WITH HOPE OF COMPLETING CONTRACT THIS WEEK. BEYOND COOPERATION ON COAL HAMMER RAISED POSSIBILITIES OF COOPERATION IN FOUR OTHER AREAS. END SUMMARY.

2. ARMAND HAMMER OF OCCIDENTAL AND BUJOR ALMASAN, MINISTER SECRETARY OF STATE IN MFT, SIGNED PROTOCOL ON SATURDAY "CONTEMPLATING AGREEMENT" FOR ROMANIAN LONG-TERM PURCHASE OF ISLAND CREEK METALLURGICAL COAL. FROM OCCIDENTAL PRESS RELEASE, PROTOCOL DOES NOT SEEM TO REPRESENT MAJOR ADVANCE OR CHANGE IN THESE LONG-GESTATING NEGOTIATIONS. CONTRACT DETAILS ARE STILL BEING DEBATED, AND WE UNDERSTAND FROM FORMER SENATOR GORE THAT AS MR EVENING OF
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MAY 30 PROBLEMS OF SUFFICIENT SUBSTANCE REMAINED THAT NEGOTIATIONS NOT LIKELY TO BE COMPLETED BEFORE WEDNESDAY. AT THIS STAGE WE ARE UNCERTAIN WHAT REMAINS TO BE RESOLVED. AS OF SATURDAY, HOWEVER, POINTS AT ISSUE INCLUDED COMPENSATION IN EVENT COAL WAS NOT OF CONTRACT SPECIFICATION, SHIPPING, GUARANTEE ON 1/C FOR ADVANCE PAYMENT (ROMANIANS INSISTING ON ROMANIAN FOREIGN TRADE BANK

GUARANTEE), AND, MOST IMPORTANT, COST ESCALATION.

3. OUTLINE OF PLANNED COOPERATION IS, ACCORDING TO OCCIDENTAL PRESS RELEASE, ESSENTIALLY UNCHANGED. ISLAND CREEK WILL SELL 14 MILLION TONS OF COAL OVER APPROXIMATELY 40 YEARS FROM ITS BUCHANAN COUNTY VIRGINIA MINE TO ROMANIAN FTO MINERAL-IMPORT-EXPORT FOR \$53 MILLION IN ADVANCE PAYMENTS. MINERALIMPORT WILL, IN ADDITION, HAVE OPTION TO PURCHASE FURTHER 13.3 MILLION TONS AT MARKET PRICE.

4. ON SHIPPING PROBLEM GORE ACKNOWLEDGED THAT ROMANIANS HAD RAISED IN GENERAL SENSE IDEA OF JOINT VENTURE, SUCH AS THAT OCCIDENTAL REPORTEDLY HAS WITH SOVIETS, FOR MOVEMENT OF AMMONIUM AND PHOSPHATE FERTILIZER. IN GORE'S VIEW, HOWEVER, VOLUME OF COAL TO BE SHIPPED UNDER CONTRACT NOT SUFFICIENTLY LARGE TO MAKE JOINT SHIPPING VENTURE ECONOMICALLY VIABLE.

5. HAMMER RAISED WITH CEAUSESCU AND PATAN VARIETY OF PROPOSALS FOR COOPERATION IN BLACK SEA EXPLORATION, SECONDARY RECOVERY, OIL SHALE DEVELOPMENT AND CHEMICAL PRODUCTION.

A. BLACK SEA EXPLORATION. HAMMER INDICATED WILLINGNESS TO HAVE EXCHANGE OF TEAMS WITH ROMANIANS VISITING OXY PLATFORM IN NORTH SEA AND OCCIDENTAL GROUP RETURNING VISIT TO ROMANIA'S BLACK SEA DRILLING PLATFORM GLORIA. IF ROMANIANS SUFFICIENTLY IMPRESSED WITH OCCIDENTAL

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TECHNOLOGY, WAY WOULD BE OPENED FOR DISCUSSIONS ON CO-OPERATION ON ROMANIAN BLACK SEA DRILLING PROGRAM. IN THAT CONTEXT ROMANIANS HAVE INDICATED THEY ARE IN PROCESS OF TESTING GASS SAMPLES AND OIL TRACES FROM GLORIA'S EXPLORATORY DRILLING.

B. SECONDARY RECOVERY. AGREEMENT REACHED ON EXCHANGE OF EXPERIENCE TO DETERMINE WHETHER THERE IS BASIS FOR COLLABORATION BOTH IN ROMANIA AND IN THIRD COUNTRIES. OCCIDENTAL CITED AS INDUCEMENT ITS SUCCESS IN LIBYA.

C. OIL SHALE EXPLOITATION. HAMMER EXPRESSED PREPAREDNESS TO SHARE RESULTS OF OXY'S U.S. EXPERIENCE IN THIS FIELD.

D. CHEMICAL PRODUCTION. FROM GORE WE UNDERSTAND THAT HAMMER TALKED ABOUT ESTABLISHING PLASTICS PRODUCTION FACILITY HERE. GORE ALLUDED TO POSSIBILITY OF MOVING TO ROMANIA EXISTING OXY SUBSIDIARY PLANT IN BRAZIL, WHERE INFLATION HAS HAMPERED INVESTMENT.

6. COMMENT: WITH LAWYERS FOR BOTH SIDES SUGGESTING
THERE ARE MAJOR NEGOTIATING HURDLES TO OVERCOME, WE
CAN'T PREDICT WITH CERTAINTY THAT CONTRACT WILL BE
SIGNED THIS WEEK. FACT THAT HAMMER SAW CEAUSESCU
SUGGESTED TO US THAT PATAN WAS REASONABLY CONFIDENT THAT
AGREEMENT WILL BE REACHED AND MAY, INDEED, BE UNDER
INSTRUCTIONS TO ENSURE THAT IT IS SIGNED. WE WILL ADVISE
WASHINGTON OF OUTCOME.
BARNES

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Message Attributes

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Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
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